

Fiscal Note

Fiscal Services Division



HF 2470 – Agricultural Equipment Sales Tax Exemption (LSB 5629HV)

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Fiscal Note Version – New

Description

House File 2470 expands the exemption of sales and use taxes imposed on machinery and equipment sold for farm use. The Bill specifies that machinery and equipment qualifies for the exemption if it is manufactured for use in agricultural production and is manufactured to be pulled by, or attached to, self-propelled farm machinery and equipment.

Background

Currently, the list of farm and machinery equipment that is exempt from sales tax for agricultural production purposes includes; tractors, combines, land preparation machinery, dairy farm and barn equipment, irrigation equipment, planters, manure spreaders, wagons, and balers.

House File 2470 would expand the list to include (but is not limited to); stall cleaners, pallet forks, rock buckets, root grapples, four-in-one tractor buckets, debris blowers, rotary brooms, front blades, snow plows, and turf renovators.

Assumptions

- The Department of Revenue matched data with the Department of Workforce Development to identify Iowa farm implement dealers. Based on that data match, 373 businesses were identified in Iowa with taxable sales totaling approximately \$328.0 million.
- The Department of Revenue has estimated taxable items impacted by **HF 2470** account for 10.0% of the taxable sales of the 373 Iowa farm implement dealers.
- Taxable sales growth rates are estimated at 3.5% in FY 2012, 3.0% in FY 2013, 2.9% in FY 2014, 4.0% in FY 2015, and 4.2% in FY 2016.
- The State sales tax rate is 6.0% with 5/6th deposited in the State General Fund and 1/6th deposited in the Secure an Advanced Vision for Education (SAVE) Fund.
- The statewide Local Option Sales Tax (LOST) rate is 0.87%.

Fiscal

The following table provides the estimated fiscal impact of **HF 2470**. State sales tax will be reduced by \$2.1 million in FY 2013 with reductions in General Fund revenue totaling \$1.7 million and SAVE revenue totaling \$0.3 million. The reduction amounts will increase slightly in future fiscal years.

Fiscal Impact of HF 2470				
(\$ in millions)				
	Reduction in State Sales Tax	Reduction to General Fund	Reduction to SAVE Fund	Reduction to LOST
FY 2013	\$ 2.1	\$ 1.7	\$ 0.3	\$ 0.3
FY 2014	2.2	1.8	0.4	0.3
FY 2015	2.2	1.9	0.4	0.3
FY 2016	2.3	1.9	0.4	0.3

Sources

Iowa Department of Revenue
LSA calculations and analysis

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.
